

Finance and Marketing Report

Somdong Ltd is an Australian electronics company that has developed a PC Tablet called the 'Dong 1' to take on the might of Apple and the new iPad 3.

Somdong Ltd claims that their product is far superior to Apple's iPad 3 and will eventually dominate the global market one it has conquered the Australian market.

Projected PC Tablet sales for Somdong Ltd in Australia for its first 12 months of operations is 3 million units and their forecast financial ratios are as follows:

- net profit ratio of 12%
- liquidity of 2:1
- gearing of 80%
- efficiency ratio of 48%

You have been employed to prepare a report for the management of Somdong Ltd.

In your report:

- describe ONE financial risk that Somdong Ltd may face if they expand overseas
- explain one ethical and one legal influence of marketing that Somdong Ltd may need to take into consideration
- propose and justify TWO financial management strategies that could help Somdong Ltd achieve their financial objectives

Criteria	Marks
<ul style="list-style-type: none"> ● Clearly provides characteristics and features of ONE appropriate financial risk that Somdong may face if they expand overseas ● Comprehensively relates the cause and effect of ONE ethical and ONE legal influence of marketing that Somdong Ltd may need to take into consideration ● Puts forward for consideration and clearly supports and argument in favour of TWO financial management strategies that could help Somdong Ltd achieve their financial objectives ● Makes effective use of the information provided, demonstrating extensive knowledge and understanding relevant to the question ● Presents a sustained, logical and cohesive business report integrating relevant business terminology and concepts 	17-20
<ul style="list-style-type: none"> ● Provides characteristics and features of ONE appropriate financial risk that Somdong may face if they expand overseas ● Relates the cause and effect of ONE ethical and ONE legal influence of marketing that Somdong Ltd may need to take into consideration ● Puts forward for consideration and supports and argument in favour of TWO financial management strategies that could help Somdong Ltd achieve their financial objectives ● Makes some use of the information provided, demonstrating some knowledge and understanding relevant to the question ● Presents a logical and cohesive business report using relevant business terminology and concepts 	13-16
<ul style="list-style-type: none"> ● Sketches in general terms ONE financial risk that Somdong may face if they expand overseas ● Provides characteristics and features of ONE ethical and ONE legal influence of marketing that Somdong Ltd may need to take into consideration ● Provides characteristics and features of TWO financial management strategies that could help Somdong Ltd achieve their financial objectives ● Includes features of a business report and uses some business terminology and concepts 	9-12
<ul style="list-style-type: none"> ● Provides a basic sketch of ONE financial risk ● Sketches in general terms ONE ethical and ONE legal influence of marketing ● Sketches in general terms TWO financial management strategies ● May include some features of a business report and uses basic business terminology 	5-8
<ul style="list-style-type: none"> ● Refers to a financial risk and/or marketing influences and/or financial management strategies ● Uses basic business terminology 	1-4

Answers could include:

Financial risks:

- Not being able to meet financial obligations when they fall due
- Will interest rates go up
- Will they achieve their projected level of sales and revenue
- Will the new product be profitable

influences on marketing

- consumer laws
 - deceptive and misleading advertising
 - price discrimination
 - implied conditions
 - warranties
- ethical – truth, accuracy and good taste in advertising, products that may damage health, engaging in fair competition, suggesting

financial management strategies

- cash flow management
 - cash flow statements
 - distribution of payments, discounts for early payment, factoring
- working capital management
 - control of current assets – cash, receivables, inventories
 - control of current liabilities – payables, loans, overdrafts
 - strategies – leasing, sale and lease back
- profitability management
 - cost controls – fixed and variable, cost centres, expense minimisation
 - revenue controls – marketing objectives
- global financial management
 - exchange rates
 - interest rates
 - methods of international payment – payment in advance, letter of credit, clean payment, bill of exchange
 - hedging
 - derivatives
- objectives of financial management
 - profitability, growth, efficiency, liquidity, solvency
 - short-term and long-term